



State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement

Bill: HJR1014

Amendment Number: H1

Bill Subtitle: A CONSTITUTIONAL AMENDMENT CONCERNING ECONOMIC DEVELOPMENT IN THE STATE OF ARKANSAS; AND AUTHORIZING THE GENERAL ASSEMBLY TO PROVIDE FOR THE CREATION OF ECONOMIC DEVELOPMENT DISTRICTS TO PROMOTE ECONOMIC DEVELOPMENT.

Sponsors:

Rep. Beaty and Sen. Dismang

Basic Change:

House Amendment No. 1 --- HJR1014-H1 strikes Section 4 of the original bill to remove the expansion of the power of eminent domain to include economic development. HJR1014-H1 also removes the Economic Development District's authority to subsidize utility infrastructure.

Original Bill --- HJR1014 proposes an amendment to the Arkansas Constitution to allow for the creation of Economic Development Districts. HJR1014 would allow the General Assembly to authorize loans and grants of public money for public purposes through programs for economic development.

An Economic Development District (EDD) is an area designated by the General Assembly within a city, county, or cooperative area for the purpose of promoting economic development therein. The EDD may issue bonds to finance projects within the district. The bonds:

- Are payable from any funds received by the district;
- Do not count towards the limitation on public debt limits for bonded indebtedness; and
- Are exempt from the provisions that limit revenue bonds in:
 - Amendment 65;
 - Amendment 62; and
 - Article 16, § 1.

HJR1014 also amends the Constitution to:

- Authorize the delegation of taxing power for the purpose of economic development in Art. 2, § 23;
- Allow the funding or lending of credit from a municipality to an economic development district in Art. 12, § 5;
- Add an economic development district to the list of economic development projects for which a subordinate political body may appropriate or obtain money for a private entity under Art. 12, § 5;
- Expand the allowable infrastructure cost for which a subordinate political body may appropriate or obtain money for a private entity under Art. 12, § 5 to include all utilities;
- Exempt all property within an economic development district from property tax unless that tax, charge, or fee, is levied by the economic development district under Article 16, § 5;
- Retain the tax exemption for property exempt from tax; and
- Require a vote of the respective county, city, or municipality for issuing bonds or other obligations for the purpose of loans and grants under a program created by the General Assembly and paid for or secured by property tax to approve the bonds.



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Fiscal Impact:

Provided that the voters approve the amendment to the Arkansas Constitution and upon the creation of an economic development district, local tax entities would see a decrease in property tax collections.

Taxpayer Impact:

An owner of property located in the economic development district would not be required to assess their business personal property and real property would not be subject to mandatory county wide reappraisals. The economic development district would have the ability to levy taxes, assessments, or other charges for property contained within the district.

Resources Required:

None.

Time Required:

Adequate time is provided for implementation.

Procedural Changes:

County assessors would not list or value property located in the district.

Other Comments:

None.

Legal Analysis:

House Amendment No. 1 --- HJR1014-H1 does not address the issues identified below.

Original Bill --- HJR1014 may benefit from the following amendments:

- An amendment to define the phrase "economic development plan;"
- An amendment to clarify if an "economic development district" is included in the definition of a "political subdivision" and thus authorized by a vote of qualified electors;
- An amendment to clarify that the tax exemption provided on page 5, lines 20-23, is only an exemption from ad valorem taxes and not other taxes imposed by the state; and
- An amendment to clarify how the exemption from property tax will interact with the school foundation funding. See Ark. Code Ann. § 6-20-2305.